

AN INQUIRY INTO CERTAIN ASPECTS
OF THE VETERANS' ADMINISTRATION
NATIONAL SERVICE LIFE INSURANCE
PROGRAM

FOURTEENTH INTERMEDIATE REPORT
OF THE
COMMITTEE ON EXPENDITURES IN THE
EXECUTIVE DEPARTMENTS



APRIL 4, 1952.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed.

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
Washington, D. C., April 4, 1952.

HON. SAM RAYBURN,
Speaker of the House of Representatives,
Washington, D. C.

DEAR MR. SPEAKER: By direction of the Committee on Expenditures in the Executive Departments, I submit herewith the fourteenth intermediate report of its subcommittee.

WILLIAM L. DAWSON, *Chairman.*

LETTER OF TRANSMITTAL

TO THE
MEMBERS OF THE
COMMISSION ON THE
STATUS OF WOMEN
OF THE UNITED STATES
DEPARTMENT OF COMMERCE
WASHINGTON, D. C.

THE FOLLOWING REPORT
OF THE
COMMISSION ON THE
STATUS OF WOMEN
OF THE UNITED STATES
IS HEREBY TRANSMITTED
TO YOU FOR YOUR
CONSIDERATION.

Union Calendar No. 540

82D CONGRESS
2d Session

} HOUSE OF REPRESENTATIVES {

REPORT
No. 1709

AN INQUIRY INTO CERTAIN ASPECTS OF THE VETERANS' ADMINISTRATION NATIONAL SERVICE LIFE INSUR- ANCE PROGRAM

APRIL 4, 1952.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. DAWSON, from the Committee on Expenditures in the Executive
Departments, submitted the following

FOURTEENTH INTERMEDIATE REPORT

On April 4, 1952, a majority of the members of the Committee on
Expenditures in the Executive Departments agreed to the report of the
Government Operations Subcommittee on an inquiry into certain
aspects of the Veterans' Administration national service life insurance
program.

The chairman was directed to transmit a copy to the Speaker of the
House.

INTRODUCTION

For a period of approximately 18 months—October 1948 through
May 1950—the Government Operations Subcommittee of the Com-
mittee on Expenditures in the Executive Departments made an
exhaustive and detailed inquiry into the operations and fiscal cost of
the Veterans' Administration national service life insurance program.

The findings of the subcommittee are contained in House Report
No. 2761, Eighty-first Congress, second session, Union Calendar No.
983, dated July 31, 1950. This report was the seventh intermediate
report of the Committee on Expenditures in the Executive Depart-
ments. In this report certain recommendations were made, the im-
plementation of which, it was felt, would cause to be brought about
greater administrative efficiency and significant fiscal savings, in the
handling of veterans' insurance.

In keeping with an established policy of the subcommittee to fol-
low up on its reports, a hearing for this purpose relative to veterans'
insurance was held on Thursday, March 20, 1952.

The subcommittee's considerations were primarily confined to two
separate and distinct phases of the Veterans' Administration national
service life insurance program, i. e., premium receipts and waivers.

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PREMIUM RECEIPTS

After preliminary statements the first issue was succinctly stated by the chairman as:

Why, in the interest of administrative efficiency and economy, should not the practice by the Veterans' Administration of issuing national service life insurance premium receipts be discontinued?

On January 2, 1952, Mr. David Robinson, of 1841 Philprimm Street, Tarzana, Calif., wrote to Congressman Olin E. Teague, suggesting that the Veterans' Administration provide national service life insurance policyholders with their premium receipt from the previous month's payment with the premium due notice for the current month. It was Mr. Robinson's thought that by inserting the premium receipt with the notice of premium due certain administrative economies could be effected, especially a saving in envelopes and postage.

Mr. Robinson's letter was forwarded by Congressman Teague to the chairman of the Government Operations Subcommittee. Upon receipt of this letter, the chairman on January 11, 1952, wrote the Veterans' Administration inquiring as to the merit of Mr. Robinson's suggestion. (See exhibit A.) To this inquiry the Veterans' Administration replied that the suggestion made would not result in any administrative savings, inasmuch as premium receipts and premium notices would have to be matched manually and that the two operations—premium billing and premium receipts—were separate and distinct functions which could not be administratively integrated so as to effect any fiscal economies. (See exhibit B.)

Upon receipt of the Veterans' Administration's reply, a staff representative of the subcommittee consulted with a number of commercial life-insurance companies and found that they had abandoned the practice of providing policyholders with premium receipts, except upon specific request. It was suggested that perhaps the Veterans' Administration could effect significant fiscal savings and achieve greater administrative efficiency if, in keeping with the practice of commercial companies, the Veterans' Administration also discontinued the issuance of premium receipts to national service life insurance policyholders. On February 20, 1952, the chairman of the Government Operations Subcommittee forwarded a letter to the Administrator of Veterans' Affairs which read, in part:

I am in receipt of your letter of February 4, 1952, setting forth the reasons why it would not be feasible for premium receipts and premium notices for Government life-insurance policies to be mailed in the same envelope rather than separately.

Since my letter to you of January 11, 1952, I have been informed that certain sizable commercial life-insurance companies have abandoned the practice of mailing premium receipts. Do you feel that it would be advisable, or practical, for the Veterans' Administration to discontinue the mailing of premium receipts? It would appear that such an action would result in a significant administrative saving.

Please advise me on this matter.

(See exhibit C.)

In a reply, dated March 19, 1952, to the subcommittee's letter of February 20, the Administrator of Veterans' Affairs wrote:

I have your letter of February 20, 1952, and have given very careful consideration to your question as to whether I feel that it would be advisable or practical for the Veterans' Administration to discontinue the mailing of premium receipts.

In the light of the urgent necessity for all of us who are in responsible positions in the Government service to reduce expenditures, it has already been determined to discontinue, effective January 1, 1953, the issuance of premium receipts. While it is recognized that this is quite a departure from the long-standing policy of the Veterans' Administration established in 1919, when direct remittances were received for insurance premiums, I am confident that the policyholders will understand at this time the need for reducing the expenses for administering their insurance programs, which expenses now are borne by all of the American taxpayers.

In order to acquaint policyholders with the necessity for reducing expenses and to forestall as far as possible expensive correspondence in regard to premium receipts, the Veterans' Administration proposes between now and January 1, 1953, to notify all policyholders several times of this decision beginning July 1, 1952. A preliminary estimate of the savings is approximately \$675,000 annually to the Government as a whole.

(See exhibit D.)

During the hearings it was revealed that the savings to the Veterans' Administration by the abandoning of premium receipts would be, at a very minimum, \$322,400 annually. In addition to the administrative savings within the Veterans' Administration, it was also apparent that significant savings would accrue to the Post Office Department. In 1951 the Post Office Department processed and delivered an estimated 26,195,000 national service life insurance premium receipts. The estimated cost of handling each of these receipts—which were handled as first-class mail—was 2.6 cents. Based upon these projected figures the postal saving alone from the discontinuance of NSLI premium receipts would be \$681,070 per annum. Thus, it can be seen that a possible saving in excess of \$1,000,000 per year could be effected by discontinuing the issuance of NSLI premium receipts.

It was generally agreed that upon request any policyholder should be provided with a premium receipt. Commercial experience along these lines has indicated that less than 5 percent of the total number of policyholders have requested premium receipts following a company's discontinuance of automatic issuance of the same.

As stated in their letter of March 19, it was the intention of the Veterans' Administration to discontinue the issuance of premium receipts as of January 1, 1953. However, it was the unanimous opinion of those subcommittee members present, such opinion substantiated by a spokesman from the Bureau of the Budget, that discontinuing the issuance of premium receipts should be made effective considerably earlier than this date. Whereupon, the Veterans' Administration stated that discontinuance of premium receipts would be effected as soon as possible, and agreed to try to meet a "target date" of July 1, 1952, suggested by the subcommittee.

Subsequent to the hearing, by letter dated March 26, 1952, the Veterans' Administration informed the subcommittee that it had decided to discontinue the policy of issuing premium receipts to national service life insurance policyholders as of August 1, 1952. (See exhibit E.) By this action the subcommittee is of the opinion that greater efficiency in the handling of veterans' insurance will be achieved. In addition, a fiscal savings estimated to be more than \$1,000,000 per annum will be effected.

PREMIUM WAIVERS

As an outgrowth of the subcommittee's initial inquiry into the operations and fiscal cost of the Veterans' Administration national service life insurance program, and soon after issuance of the committee's report on this study, the Congress began to consider legislation to replace the unwieldy and highly expensive Veterans' Administration national service life insurance program.

Consequently, on April 25, 1951, the Congress passed Public Law 23, Eighty-second Congress, which in essence terminated the national service life insurance program and provided, in lieu thereof, a gratuitous indemnity of \$10,000 to the survivors of service personnel who die while on active duty; such payments are subject to certain qualifications.

Section 622 of Public Law 23 reads, in part, as follows:

SEC. 622. After the date of enactment of this section, *any person while in active service for a continuous period in excess of thirty days who is insured under national service life insurance or United States Government life insurance shall be entitled, upon written application, to a waiver of all premiums on five-year level premium term insurance and that portion of any permanent insurance premiums representing the cost of the pure insurance risk, as determined by the Administrator, becoming due after the first day of the second calendar month following the date of enactment of this section, or the first day of the second calendar month following entry into active service, whichever is the later date, and during the remainder of such continuous active service and one hundred and twenty days thereafter: Provided, That no premium shall be waived under this section for any period prior to the date of application therefor: Provided, That if the term of any five-year level premium term insurance on which premiums have been waived under this section expires while the insured is in active service, such term shall be automatically renewed for an additional five-year period and the premiums due at the then attained age shall be waived as provided above: Provided further, That the election by an insured of the premium waiver benefits of this section shall thereby render his contract of insurance nonparticipating during the period such premium waiver is in effect:* [Emphasis supplied.]

At the time Public Law 23 became effective there were approximately 3,000,000 personnel in the Armed Forces. Of this number it was estimated that approximately 73 percent were NSLI policyholders, the vast majority of which held 5-year-term policies. There were approximately 295,000 permanent plan NSLI policies held by in-service personnel on the effective date of Public Law 23. It is to these policyholders that the emphasized portion of the above section of the law applies.

Immediately upon passage of Public Law 23, more than 1½ million 5-year-term policyholders discontinued payment of premiums, for under Public Law 23 they were receiving the same basic insurance protection without payment of premiums. However, Public Law 23 has proved to be of little benefit, and has provided considerable confusion for in-service NSLI policyholders who have some form of permanent plan national service life insurance.

It came to the attention of the Government Operations Subcommittee in January 1952, that although Public Law 23 was approved on April 29, 1951, no administrative decision had been made by the Veterans' Administration regarding the manner in which the amount of premium waiver representing the "pure insurance risk" would be calculated. The subcommittee was concerned over this delay of months on the part of the Veterans' Administration in reaching an

administrative decision on a matter of considerable importance to those having permanent insurance type policies.

Inasmuch as approximately 95 percent of all permanent plan national service life insurance policies for inservice personnel are paid by allotment, the Department of Defense was also vitally interested in whatever administrative decision was to be made affecting such policies and the effective date of such a decision. As of March 1, the various branches of the Armed Forces, in replying to a subcommittee inquiry, estimated that less than 25 percent of the holders of permanent plan in-service national service life insurance policies had ever applied for the partial waiver of premium to which they are entitled under Public Law 23.

Those individuals who have applied for premium waiver will receive a credit once the portion to be waived has been calculated, retroactive from the date of the request for premium waiver. However, because of the existing confusion due, in part at least, to the failure of the Veterans' Administration to promulgate directives regarding the manner in which the waiver of the pure insurance risk on permanent plan national service life insurance policies is to be allotted, more than 75 percent of the in-service national service life insurance permanent plan policyholders to date have not applied for the partial premium waiver as provided under section 622 of Public Law 23. Therefore, these individuals—the more than 75 percent—to date have not and will not retroactively receive the intended benefit under Public Law 23.

On February 19, 1952, in compliance with the chairman's instructions, staff members met with the Assistant Administrator of Insurance, Veterans' Administration, and informed him of the committee's desire to be advised as to the progress being made with respect to a decision on this matter. However, no information or indication of possible action was received by the subcommittee from the Veterans' Administration prior to the hearing held March 20, 1952.

Regarding his position on the waiver of the pure insurance risk for in-service permanent-plan national service life insurance policies, the chairman stated:

I am not going to attempt to say what is the final answer to this problem.

That this thing should drag along in this manner seems to me is inexcusable, and the thing that I wanted to bring out at this session was the necessity for getting together and deciding what is the best course, and to do it as efficiently and as equitably as it can possibly be done.

Mr. H. V. Stirling, Assistant Administrator for Insurance, Veterans' Administration, informed the subcommittee that a meeting with representatives of the Department of Defense and the General Accounting Office was scheduled for the afternoon of the very day the hearing was held, March 20, and he felt confident that the problem under consideration would be resolved, and that an administrative decision would be reached by the Administrator of Veterans' Affairs regarding the waiver of the pure insurance risk for in-service national service life insurance policies.

Subsequent to the committee hearing, Gen. Carl R. Gray, Jr., Administrator of Veterans' Administration, forwarded to the chairman of the subcommittee, a copy of a letter dispatched March 21, 1952, to the Secretary of Defense, setting forth the administrative decision which had been made regarding the waiver of the "pure insurance

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risk" for in-service national service life insurance policyholders. (See exhibit F.) The subcommittee has not undertaken to analyze the procedures agreed upon, but will be interested to see how they work in actual operation.

However, it is gratifying to note that this administrative decision, delayed more than 11 months, was forthcoming within 24 hours after the subcommittee held its hearing. The subcommittee still feels, however, that the delay was inexcusable and that the decision should have been reached long ago.

SUMMARY

As a result of the subcommittee's inquiry, the Veterans' Administration has decided to discontinue the practice of issuing premium receipts to NSLI policyholders as of August 1, 1952. By this action the subcommittee is of the opinion that greater administrative efficiency in the handling of veterans' insurance will be achieved. In addition, a fiscal saving of more than \$1,000,000 per annum should be effected.

Regarding the waiver of that portion of the premium representing the "pure insurance risk" on permanent-plan NSLI policies held by in-service personnel, it is gratifying to note that immediately following the subcommittee inquiry into this subject an administrative decision affecting more than 300,000 people, and delayed more than 11 months, was finally forthcoming.

APPENDIX

EXHIBIT A

JANUARY 11, 1952.

Gen. CARL R. GRAY, Jr.,
Administrator of Veterans' Affairs, Veterans' Administration,
Washington, D. C.

DEAR GENERAL GRAY: This subcommittee has received a letter reading as follows:

"Having noticed that you are presently occupied with the procedures of the Veterans' Administration, I am taking the liberty of bringing a small matter to your notice:

"Thousands of veterans pay their GI insurance policies every month, involving great clerical expenditures. The VA, however, sends two enclosures each month to every policyholder, one to send the self-addressed envelope in which the veteran places his check. After doing so, another envelope arrives about 2 weeks later, acknowledging receipt of this check.

"At no time has it ever apparently occurred to the VA to simply withhold the receipt until another 2 weeks have elapsed, and enclose it with the new self-addressed envelope for the following payment, thus saving time, envelopes, and money. One monthly remission which would include receipt and premium notice is all that is necessary.

"Believing that, as I do, you also are interested in conserving taxpayers' funds, I remain,"

General, this suggestion makes sense to me. You will appreciate, I am sure, that the elimination of the mailing each month of thousands of receipts would result in a tremendous savings in administrative expense. I wish you would take this matter up with your operating people and if they have any sound reason for not adopting this suggestion let me know what it is.

Sincerely yours,

PORTER HARDY, Jr., *Chairman.*

EXHIBIT B

FEBRUARY 4, 1952.

HON. PORTER HARDY, Jr.,
House of Representatives, Washington 25, D. C.

DEAR MR. HARDY: This is in reference to your letter dated January 11, 1952, relative to a proposal received by your subcommittee, to the effect that premium receipts and premium notices for Government life insurance policies be mailed to insureds in the same envelope rather than separately.

The proposal is one which has been made numerous times in the past by various parties, and serious consideration and study have been given to the possibility of its adoption. However, such studies invariably reveal that installation of a procedure for the accomplishment of this combined mailing would result in increased costs and complications to the Veterans' Administration and in a great many cases would not operate to the best interests of the veterans involved.

Mailing times cannot be made to coincide since the mailing of notice is scheduled on a basis of a given number of days in advance of a premium due date and, to serve the best interest of the insured, receipt mailing must promptly follow the receipt of a premium payment. The two operations are quite unrelated.

In order to mail the premium notice and premium receipt together, it would be necessary, whenever a premium is paid late in the 31-day-grace period following the due date, to hold the premium notice until the posting has been made, quite possibly after the due date of the premium being billed. On the other hand, whenever a monthly premium is paid in advance of the date of preparation of premium notices for the following month, it would be necessary to withhold the premium receipt until the premium notice had been prepared. Where premiums are paid